



# City of Loma Linda Official Report

Robert Ziprick, Chairman  
Charles Umeda, Vice Chairman  
Robert Christman, Board Member  
Floyd Petersen, Board Member  
Stan Brauer, Board Member

COUNCIL AGENDA: January 24, 2006

TO: City Council

VIA: Dennis R. Halloway, City Manager 

FROM: Pamela Byrnes-O'Camb, City Clerk/Agency Secretary 

SUBJECT: **Joint Public Hearing** of the City Council and Redevelopment Agency pertaining to the sale of property known as 25502 Portola Loop

## RECOMMENDATION

It is recommended that the City Council adopt Council Bill #R-2006-01 and that the Agency Board adopt CRA Bill #R-2006-02.

## BACKGROUND

The house located at 25502 Portola Loop is one of 35 houses in the Parkside Homes Development on which an affordability covenant was recorded. The previous owner relocated and offered the house to the Agency. The Agency purchased the subject house in August 2005; thus protecting the affordability covenant.

A new buyer has been qualified to purchase the house, and has obtained financing. A cash outlay from the Agency of \$31,000 is required. The term of the affordability covenant will be modified to reflect current law of 45 years and additional restrictions will be imposed under the proposed agreement.

See the Reuse Analysis for further information.

## ANALYSIS

The sale of the house will retain the affordability covenant and provide a family within the lower income category the opportunity to purchase a home.

## ENVIRONMENTAL

Not applicable.

## FINANCIAL IMPACT

The sale of the property will provide the Agency with funding to increase, improve and preserve its supply of affordable housing available to income-qualified persons and families pursuant to the Agency's Affordable Housing Program.

Attachments: Reuse Analysis  
Council Bill #R-2006-01  
CRA Bill #R-2006-02

**REUSE ANALYSIS**

**IN SUPPORT OF THE**

**HOUSING DISPOSITION AGREEMENT**

**BY AND BETWEEN**

**THE LOMA LINDA REDEVELOPMENT AGENCY, AGENCY,**

**AND**

**NIXON HUTABARAT**  
**and ROSHALLY HUTABARAT, PARTICIPANTS,**

(25502 Portola Loop)

## **REUSE ANALYSIS**

### **HOUSING DISPOSITION AGREEMENT BY AND BETWEEN THE LOMA LINDA REDEVELOPMENT AGENCY AND NIXON HUTABARAT and ROSHALLY HUTABARAT**

#### **INTRODUCTION**

The Loma Linda Redevelopment Agency (hereinafter the "Agency") has proposed to enter into a Housing Disposition Agreement (hereinafter the "Agreement") with Nixon Hutabarat and Roshally Hutabarat (hereinafter the "Participants"). The purpose of the Agreement is to effectuate the Agency's Home Buyer Loan Program (the "Program") pursuant to which the Agency provides financial assistance to make certain residential properties within the City of Loma Linda (the "City") available for purchase by low income households at an affordable housing cost. In accordance with the Program and the terms of the Agreement, Participants desires to purchase that certain real property commonly known as 25502 Portola Loop, Loma Linda, California 92354 (hereinafter the "Site") and the Agency desires to sell the Site to Participants under the terms of the Program and the Agreement.

California Community Redevelopment Law requires a Report be prepared to provide information about the provisions of this Agreement and to outline the reasons the Agency is proposing this Agreement resulting in the sale of the Site.

This analysis that describes and specifies all of the following:

- (i) The cost of the agreement to the Agency, including land acquisition costs, clearance costs, relocation costs, the costs of any improvements to be provided by the agency, plus the expected interest on any loans or bonds to finance the agreements.
- (ii) The estimated value of the interest to be conveyed or leased, determined at the highest and best uses permitted under the plan.
- (iii) The estimated value of the interest to be conveyed or leased, determined at the use and with the conditions, covenants, and development costs required by the sale or lease. The purchase price or present value of the lease payments which the lessor will be required to make during the term of the lease. If the sale price or total rental amount is less than the fair market value of the interest to be conveyed or leased, determined at the highest and best use consistent with the redevelopment plan, then the Agency shall provide as part of the summary an explanation of the reasons for the difference.
- (iv) An explanation of why the sale or lease of the property will assist in the elimination of blight, with reference to all supporting facts and materials relied upon in making this explanation.

It is the intent of this Report to meet all of these requirements and provide the necessary information and data.

This Report is organized into the following sections:

- Salient Points of the Proposed Agreement
- Cost of the Agreement to the Agency
- Estimated Value of the Interest to be Conveyed
- Comparison of Purchase Price to the Fair Re-Use Value
- How The Agreement Contributes to the Elimination of Blight
- Facts Supporting Section 33433 Determinations

## **SALIENT POINTS OF THE PROPOSED AGREEMENT**

### **Description of the Property**

The property to be conveyed by the Agency to the Participants is located at 25502 Portola Loop, Loma Linda, California. As of the date of execution of the Agreement, the Site is owned by the Loma Linda Redevelopment Agency. The Agency purchased the Site with an existing low-income affordability covenant for the purpose of reselling the property to a Participant who meets the criteria outlined in the existing program as a low-income household as defined in the Agreement and to maintain the long-term affordability of the Site for future low-income households.

The property consists of a three (3) bedroom, two and one-half (2½) bath single family home situated on an approximately 3200 square foot parcel, fronting on a public street. All typical utilities and other public improvements are provided.

### **Agency Responsibilities**

1. The Agency shall sell the Site to the Participants at a value not less than the reuse value of \$155,000, which is the price at which the Agency purchased the Site. The actual dollar amount to be received by the Agency may be more than the \$155,000, due to the provisions of the loan to be provided by the Agency.
2. The Agency shall assist in financing the purchase of the Site by providing a loan to the Participants in the amount of \$185,000, which is the “gap amount” between the sales price and market value with long-term affordability covenant, calculated without an equity share to be determined at sale of the Site under the provisions of

the Agreement. The Agency will also provide a First-Time Buyer loan in the amount of \$31,000. The terms of the loan are as follows:

- a. The loan shall be made pursuant to a Promissory Note as outlined in the Agreement. The Promissory Note shall be secured by a second deed of trust and rider thereto encumbering the Site as outlined in the Agreement.
- b. The junior loan shall be subordinate to the first deed of trust, as outlined below, to be obtained by Participants pursuant to the Agreement. (See Participants Responsibilities, below).
- c. The \$31,000 First Time Buyer loan shall accrue no interest for the first five years. Beginning in Year Six, 5% interest will be paid until the loan is paid in full in twenty-five (25) years, unless and until an event of Acceleration occurs as set forth in the Agreement, in which event a "Contingent Deferred Interest Amount" as described in the Agreement shall become due and payable by the Participants.
- d. In the event that Participants are in compliance with all of the requirements of this Agreement, the Promissory Note amount of \$185,000 shall be due and payable on the forty-fifth (45th) anniversary of the date of the Note, along with any Equity Share.
- e. In the event of an Acceleration as defined in the Agreement, the whole of the Junior Note Amount, the Contingent Deferred Interest Amount, and all other payments due hereunder shall become due and immediately payable to Agency by Participants. The Contingent Deferred Interest Amount shall be calculated as provided for in the Agreement.

#### Participants Responsibilities

1. The Participants shall acquire the Site from the Agency for \$155,000.
2. The Participants shall obtain a first trust deed loan for the purchase of the Site in the amount not less than \$78,200.
3. Participant shall pay, in Participant's cash funds, exclusive of proceeds of the First Lien Loan distributed to Agency, not less than \$45,800, exclusive of the Participant's portion of closing costs and exclusive of proceeds of the First Lien Loan distributed to Agency.
4. The Participants shall obtain and execute a second trust deed First Time Homebuyer's loan from the Agency for the purchase of the Site in the amount of \$31,000.

5. The Participants shall obtain and execute a third trust deed loan from the Agency for the purchase of the Site in the amount of \$185,000 and any Equity Share. This Note does not contain any interest.
6. The Participants shall meet all requirements of the Program as a low-income household and shall enter into the Agreement with the Agency.
7. The Participants shall meet all requirements of the Promissory Notes outlined in the Agreement and shall repay the loans provided by the Agency pursuant to the terms of the Promissory Notes. Any equity share, if applicable, shall be determined at the resale of the Site.

### **COST OF THE AGREEMENT TO THE AGENCY**

The Agency purchased the Site for a total of \$155,000. At this time, the proceeds from the sale paid off a then-existing Agency First Time Homebuyer Loan of \$15,000.

The Agency is selling the Site to the Participants for \$155,000. Thus, the sale recoups the acquisition costs the Agency has incurred. The total cost to the Agency is limited to the staffing and processing costs for the sale.

The Agency is also providing a loan to the Participants in the amount of \$185,000. This loan will be repaid pursuant to the terms of the Agreement. If the Participants remain in compliance with the terms of the Agreement, the loan shall be paid in full at the end of the terms of the Agreement. There will be no cost to the Agency for this Loan.

The Agency is also providing an additional loan to the Participants in the amount of \$31,000. This loan will be repaid pursuant to the terms of the Agreement. If the Participants remain in compliance with the terms of the Agreement, the loan shall be paid in full at the end of the terms of the Agreement. There will be no cost to the Agency for this Loan. The Participants will pay \$23,369 in interest over the life of the loan unless the loan is repaid prior to maturity.

If the Participants take action requiring an Acceleration, as defined in the Agreement, the Participants shall repay the loan as well as additional interest as required by the Agreement. This additional interest will reduce the total cost of the Agreement to the Agency. Because of the contingent nature of an Acceleration and because the amount of interest to be paid in the event on of Acceleration is based on when such Acceleration may occur, it is not possible to determine if such additional interest would be paid and, if it is, the amount of it.

The Agency purchased the Site for \$155,000. At that time, the proceeds from the purchase paid off a then-existing Agency loan of \$15,000. After obtaining title to the Site, the Agency spent a minimum amount on incidental maintenance and cleaning costs to prepare the house for sale.

The Agency is selling the Site to the Participants for \$155,000. The total cost to the Agency is limited to the aforementioned incidental maintenance and cleaning, as well as Staff and Consultant/Special Counsel costs totaling less than \$7,500.

The Agency is also providing a loan in the amount of \$31,000. This loan will be at an interest rate of 5% beginning in Year 6 and to be repaid in twenty-five (25) years. To protect the long-term affordability covenant, there is another Promissory Note (including an Equity Sharing provision) in the amount of \$185,000 due, with no interest, at the end of Year 45.

### **ESTIMATED VALUE OF THE INTEREST TO BE CONVEYED**

The Site is within a tract of single-family homes whose values are comparable, one to another. At the time the Agency purchased the Site, similar single-family residences in the same tract were selling in the range of \$310,000 to \$420,000. The value of the Site is within this range, estimated at \$340,000.

The Agency purchased the Site for \$155,000, pursuant to an Agreement including an existing low-income affordability covenant recorded against the property. The Agency received a credit for its original First Time Buyer Loan of \$15,000.

### **COMPARISON OF PURCHASE PRICE TO THE FAIR RE-USE VALUE**

The purchase price to be paid by the Participants as outlined in the Agreement is the same as the re-use value, \$155,000. The Agency shall receive a promissory note secured by a deed of trust for a loan in the amount of \$185,000 and an additional promissory note secured by a deed of trust for a loan in the amount of \$31,000.

### **HOW THE AGREEMENT CONTRIBUTES TO THE ELIMINATION OF BLIGHT**

The Agency has purchased the Site from an owner with whom the Agency had a previous low income Affordability Agreement to maintain the Site for low-income households. At the time that Agreement was executed and entered into, it was an implementation tool for a larger strategy eliminating blighted property which was redeveloped with single-family homes (and recreational improvements), of which the Site is one of these.

The proposed Agreement continues to implement the low-income affordable housing requirements the Agency imposed as a result of the original redevelopment which eliminated blight on the Site and surrounding properties.

## **FACTS SUPPORTING SECTION 33433 DETERMINATIONS**

California State Redevelopment Law requires that the City Council make several findings before authorizing the Redevelopment Agency to enter into this Agreement. These findings include:

1. The sale of the Site will assist in the elimination of blight.

### **Statement of Support**

The Agreement continues to fulfill the Agency's obligations to provide low-to-moderate income housing arising from a previous action eliminating blight on the Site and surrounding properties.

2. The sale of the Site will provide housing for a low- income household.

### **Statement of Support**

The Agreement reestablishes covenants on the property requiring the Site to remain affordable to low income households for forty-five (45) years pursuant to California Health and Safety Code Section 50043.

3. The sale or lease of the Site is consistent with the Agency's Implementation Plan adopted pursuant to California Health and Safety Code Section 33490.

### **Statement of Support:**

The Implementation Plan adopted by the Agency calls for programs to eliminate blight, cooperate with the private sector to redevelop property within the Project Area and to provide housing for low-to-moderate income households. This Agreement continues the implementation of the first two and accomplishes the third.

4. The consideration to be paid for the Site is not less than the fair reuse value in accordance with the Plan.

### **Statement of Support:**

The Agreement set the sales price near the same level that the Agency purchased the Site, which is deemed to be the fair use value of the Site based on the low-income covenant that existed (and will continue for forty-five years) for the Site when the Agency purchased it. This was done to fulfill the Agency's obligations to provide low-to-moderate income housing as required by the State Community Redevelopment Law and the Agency's Redevelopment Plan for the Merged Project Area.

5. The consideration to be paid for the Site is not less than the fair reuse value at the use and with the covenants and conditions and development costs authorized by the Agreement.

### **Statement of Support:**

The Agency has reduced the sales price of the Site to \$155,000. This reduction is based on the covenants that will be placed on the Site pursuant to the Agreement to ensure the



continued use of the Site for low-income households. The purchase price was also set near this level to meet the housing cost limits required for low-income households.

6. The sale of the Site and the improvements to be privately financed are a benefit to the Project Area.

Statement of Support

The on-going provision of low-to-moderate income housing is an integral part of the Redevelopment Plan for the Merged Project Area. The sale of the site pursuant to the Agreement furthers the implementation of the Redevelopment Plan.

7. There is no other reasonable means of fully financing the sale of the Site.

Statement of Support

There are no reasonable additional outside funding sources, public or private, which can provide the Site at a cost which maintains the low-income requirements for the Site or which will ensure the recording of covenants against the Site as required by State Law and the Redevelopment Plan.

The Agency's Promissory Notes are necessary to support the low-income affordability covenant requirement for a term of forty-five (45) years. The covenant/market value loan will initially fill the financial gap between a fair reuse value for the Site and the market value sales price of the Site being sold by the Agency to the Participants.

## RESOLUTION NO. \_\_\_\_

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOMA LINDA  
CONSENTING TO THE APPROVAL AND EXECUTION BY THE LOMA  
LINDA REDEVELOPMENT AGENCY OF AN AGREEMENT FOR THE  
DISPOSITION OF PROPERTY FOR AFFORDABLE HOUSING USE WITH  
NIXON HUTABARAT AND ROSHALLY HUTABARAT (25502 Portola Loop)

WHEREAS, California Health and Safety Code Sections 33334.2 and 33334.6 authorize and direct the Loma Linda Redevelopment Agency (the "Agency") to expend a certain percentage of all taxes which are allocated to the Agency pursuant to Section 33670 for the purposes of increasing, improving and preserving the community's supply of low and moderate income housing available at affordable housing cost to persons and families of low- and moderate-income, lower income, and very low income; and

WHEREAS, pursuant to applicable law the Agency has established a Low and Moderate Income Housing Fund (the "Housing Fund"); and

WHEREAS, pursuant to Health and Safety Code Section 33334.2(e), in carrying out its affordable housing activities, the Agency is authorized to provide subsidies to or for the benefit of very low income and lower income households, or persons and families of low or moderate income, to the extent those households cannot obtain housing at affordable costs on the open market, and to provide financial assistance for the construction and rehabilitation of housing which will be made available at an affordable housing cost to such persons; and

WHEREAS, pursuant to Section 33413(b), the Agency is required to ensure that at least 15 percent of all new and substantially rehabilitated dwelling units developed within a project area under the jurisdiction of the Agency by private or public entities or persons other than the Agency shall be available at affordable housing cost to persons and families of low or moderate income; and

WHEREAS, the Agency has received a proposal from Nixon Hutabarat and Roshally Hutabarat (collectively, "Buyer" or "Participant") to acquire from the Agency a residence at 25502 Portola Loop (the "Site") for the purpose of residing at the Site;

WHEREAS, the Buyer acknowledges that the use of the Site will be restricted to households of limited income, all as more particularly provided in the "Agreement", as described below; and

WHEREAS, the Agency staff has reviewed the Buyer's eligibility for acquisition of the Site;  
and

WHEREAS, in order to carry out and implement the Redevelopment Plan for the Agency's redevelopment projects and the affordable housing requirements thereof, the Agency proposes to enter into an agreement in the form submitted herewith (the "Agreement") with the Buyer, pursuant to which the Agency would sell the Site to the Buyer under a form of deed (the "Agency Deed") which includes long-term affordability covenants limiting the use of property to affordable housing;  
and

WHEREAS, the sale of the Site to the Buyer will promote the Redevelopment Plan by furthering the provision of affordable housing and providing for mechanisms to better assure the long-term affordability of the Site; and

WHEREAS, the City Council has duly considered all terms and conditions of the proposed Agreement and believes that the Agreement is in the best interests of the Agency and the City and the health, safety, and welfare of its residents, and in accord with the public purposes and provisions of applicable State and local law requirements; and

WHEREAS, the purchase price to be received by the Agency under the Agreement is not less than the fair reuse value of the Site, as determined by a reuse value analysis prepared for the Agency by Community Advisors, a consultant retained by the Agency; and

WHEREAS, the Buyer has applied for certain subordinate loans and is seeking to sell a motor home in order to generate funds to assist in the acquisition of the Site and, in connection therewith, it is appropriate to delegate to the Executive Director authority to make modifications to the draft Agreement (in the form submitted herewith); and

WHEREAS, all actions required by all applicable law with respect to the proposed Agreement have been taken in an appropriate and timely manner; and

WHEREAS, the Agency and the City Council have duly considered all of the terms and conditions of the proposed Agreement and believes that the redevelopment of the Site pursuant to the Agreement is in the best interests of the City of Loma Linda and the health, safety, and welfare of its residents, and in accord with the public purposes and provisions of applicable state and local laws and requirements.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LOMA LINDA DOES RESOLVE AS FOLLOWS:

Section 1. The City Council finds and determines that, based upon substantial evidence provided in the record before it, the consideration for the Agency's disposition of the Site by sale pursuant to the terms and conditions of the Agreement, particularly including long-term affordability covenants, is not less than the fair reuse value at the use and with the covenants and conditions and development costs authorized by the Agreement.

Section 2. The City Council hereby finds and determines that the disposition by sale of the Site by the Agency pursuant to the Agreement, including without limitation the equity share provisions set forth therein, will further the achievement of the Agency's affordable housing objectives within the Project Area.

Section 3. The City Council hereby consents to the execution of the Agreement by the Executive Director on behalf of the Agency, including such revisions as may be made by the Executive Director of the Agency or his designee.

## RESOLUTION NO. \_\_\_\_

A RESOLUTION OF THE LOMA LINDA REDEVELOPMENT AGENCY APPROVING AND AUTHORIZING THE EXECUTION OF AN AGREEMENT FOR THE DISPOSITION OF PROPERTY FOR AFFORDABLE HOUSING USE WITH NIXON HUTABARAT AND ROSHALLY HUTABARAT (25502 Portola Loop)

WHEREAS, California Health and Safety Code Sections 33334.2 and 33334.6 authorize and direct the Loma Linda Redevelopment Agency (the "Agency") to expend a certain percentage of all taxes which are allocated to the Agency pursuant to Section 33670 for the purposes of increasing, improving and preserving the community's supply of low and moderate income housing available at affordable housing cost to persons and families of low- and moderate-income, lower income, and very low income; and

WHEREAS, pursuant to applicable law the Agency has established a Low and Moderate Income Housing Fund (the "Housing Fund"); and

WHEREAS, pursuant to Health and Safety Code Section 33334.2(e), in carrying out its affordable housing activities, the Agency is authorized to provide subsidies to or for the benefit of very low income and lower income households, or persons and families of low or moderate income, to the extent those households cannot obtain housing at affordable costs on the open market, and to provide financial assistance for the construction and rehabilitation of housing which will be made available at an affordable housing cost to such persons; and

WHEREAS, pursuant to Section 33413(b), the Agency is required to ensure that at least 15 percent of all new and substantially rehabilitated dwelling units developed within a project area under the jurisdiction of the Agency by private or public entities or persons other than the Agency shall be available at affordable housing cost to persons and families of low or moderate income; and

WHEREAS, the Agency has received a proposal from Nixon Hutabarat and Roshally Hutabarat (collectively, "Buyer" or "Participant") to acquire from the Agency a residence at 25502 Portola Loop (the "Site") for the purpose of residing at the Site;

WHEREAS, the Buyer acknowledges that the use of the Site will be restricted to households of limited income, all as more particularly provided in the "Agreement", as described below; and

WHEREAS, the Agency staff has reviewed the Buyer's eligibility for acquisition of the Site; and

WHEREAS, in order to carry out and implement the Redevelopment Plan for the Agency's redevelopment projects and the affordable housing requirements thereof, the Agency proposes to enter into an agreement in the form submitted herewith (the "Agreement") with the Buyer, pursuant to which the Agency would sell the Site to the Buyer under a form of deed (the "Agency Deed") which includes long-term affordability covenants limiting the use of property to affordable housing; and

WHEREAS, the sale of the Site to the Buyer will promote the Redevelopment Plan by furthering the provision of affordable housing and providing for mechanisms to better assure the long-term affordability of the Site; and

WHEREAS, the Agency has duly considered all terms and conditions of the proposed Agreement and believes that the Agreement is in the best interests of the Agency and the City and the health, safety, and welfare of its residents, and in accord with the public purposes and provisions of applicable State and local law requirements; and

WHEREAS, the purchase price to be received by the Agency under the Agreement is not less than the fair reuse value of the Site, as determined by a reuse value analysis prepared for the Agency by Community Advisors, a consultant retained by the Agency; and

WHEREAS, the Buyer has applied for certain subordinate loans and is seeking to sell a motor home in order to generate funds to assist in the acquisition of the Site and, in connection therewith, it is appropriate to delegate to the Executive Director authority to make modifications to the draft Agreement (in the form submitted herewith); and

WHEREAS, all actions required by all applicable law with respect to the proposed Agreement have been taken in an appropriate and timely manner; and

WHEREAS, the Agency and the City Council have duly considered all of the terms and conditions of the proposed Agreement and believes that the redevelopment of the Site pursuant to the Agreement is in the best interests of the City of Loma Linda and the health, safety, and welfare of its residents, and in accord with the public purposes and provisions of applicable state and local laws and requirements.

NOW, THEREFORE, THE GOVERNING BOARD OF THE LOMA LINDA REDEVELOPMENT AGENCY DOES RESOLVE AS FOLLOWS:

Section 1. The Agency finds and determines that, based upon substantial evidence provided in the record before it, the consideration for the Agency's disposition of the Site by sale pursuant to the terms and conditions of the Agreement, particularly including long-term affordability covenants, is not less than the fair reuse value at the use and with the covenants and conditions and development costs authorized by the Agreement.

Section 2. The Agency hereby finds and determines that the disposition by sale of the Site by the Agency pursuant to the Agreement, including without limitation the equity share provisions set forth therein, will further the achievement of the Agency's affordable housing objectives within the Project Area.

Section 3. The Agency hereby authorizes the execution of the Agreement by the Executive Director on behalf of the Agency, including such revisions as may be made by the Executive Director of the Agency or his designee.

Resolution No.  
Page 3

APPROVED AND ADOPTED this 24th day of January 2006 by the following vote:

Ayes:  
Noes:  
Absent:

---

Robert Ziprick, Chairman

ATTEST:

---

Pamela Byrnes-O'Camb, Secretary